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Research Needed to Facilitate Rural
Community Development 1/

by

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I am most grateful for this chance to explore with you some very tentative questions about rural community development and related problems of balanced rural and urban growth in a national setting. Today, my role is to provoke -- to suggest productively. I do not claim the needed prescriptive powers implied by the assigned topic. I shall try to sketch some background that will encourage us to look further into interrelationships of national and subnational economic policies and programs as they affect community development.

Adam Smith and Keynes

Adam Smith was a positive force. He aimed at greater human productivity -- through specialization of labor and associated evolution of supporting institutions. Keynes, for all his indispensable positive contributions, was a necessary, conservative force. Keynes led us to a new plateau. There, we have clung -- thanks to economists, responsible politicians, and other leading citizens, plus recurrent wars and other accidents of history. Keynes helped us anticipate and prevent or dampen major recessions. Thus, Smith saw the establishment of rules to show that "to him that hath, shall be given." Keynes drew on his banker's instinct to add "and it shall not be taken away." Further positive program development needed, among other things, for "rural community development" awaits improved articulation by economists of alternative improved program packages that national and state politicians can offer to their constituents.

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Smith centered on the firm. Zealous application of his principles gave us the factories. This breakthrough was a mixed blessing -- partly at the expense of people (those with limited assets) as well as to the benefit of others.

Keynes centered on the Nation. He catalyzed thought of the Nation as an administrative unit. He spelled out specifics that gave politicians systematic bases for deciding on such matters as tax and interest rates -- nationally. Statesmen appreciated the limits of the analogy between the national budget and the family budget and took courage. What good is a balanced national budget if millions are leading unproductive lives? Widespread endorsement of this question has enabled us to focus on pragmatic consideration of monetary and fiscal measures. Thus, we have seen a steadily increasing gross national product, along with a decreasing rate of unemployment and tolerable price stability. All this has happened while our population grew beyond 196 million and our overseas commitments expanded.

National economic success has sharpened our awareness of persistent income disparities among regions, communities, and disadvantaged groups and of attendant social and other environmental problems. Perhaps these unwanted results are due to our myopic and procedural interpretation of Keynes. We appear to be paying a high price for too literal adherence to a necessarily skeletal system of national accounts that does not adequately correlate with real national goals.

Many possibilities for expanding our description and analysis of national economic activity come to mind. For now, I would like to look at two apparent deficiencies in our national perspective that may preordain the persistence and even the further degradation of depressed communities and concentrations of impoverished citizens. These are in the general areas of manpower and the related deployment of urban and rural economic activities.

Manpower

The Nation is people. People work together to provide a bigger national pie. And people divide that pie according to some institutionalized mechanism. The incentive system -- the way this pie is divided -- determines how much more pie will be produced next year. Keynes well appreciated the need to provide adequate incentives for businessmen, including tolerably stable prices that would not rapidly eat away their assets and adequate profits. And he sought to show how employment could likewise be increased toward full employment. This employment is thought to be productive. By working, a citizen adds to the national pie.

This focus on the need for all able-bodied people to be employed evokes the same ethical response as the need to balance the family budget. Antipoverty programs and community development programs emphasize the central importance of jobs and of education and training to fit people for such jobs.

Yet, is this national emphasis on employment short-sighted, superficial, and even misguided? For the Nation, does the "righteousness" of work for the individual translate into the dictum that everyone should be employed? Is it not as misplaced as the formerly accepted translation of the righteousness of the balanced family budget to the dictum that the national budget should always be balanced?

For most of us, the upper limit of earnings is set, in large part, by an employer -- public or private. This limit may be consistent with what that employer deems is the value of an employee's contribution to his business or agency -- at least at the time of hiring. Some years later, when this wage or salary expands through seniority, retirement credits, health insurance and other perquisites, it may misrepresent the value of the individual's contribution to a business or agency. Lack of promotion or training opportunities, apparent personnel inequities, or other reasons may actually transform a promising employee into one who has a negative value to the business or organization. He may add nothing himself and actually prevent others from making their due contribution. Who knows how widespread these problems are? Proliferation of large organizations may multiply the potential for such negative productivity. Lack of alternative job alternatives (a likely feature of smaller towns and cities, especially "company towns") may well add to the chances of this negative labor productivity. Female family heads who must work may feed and clothe their families, but perforce deprive them of other needed attention and thus predispose them to later negative labor productivity.

Those without schooling, without adequate food, shelter, and social graces tend to be unemployed or underemployed. These unfortunates frequently cannot redeem themselves so that they can get and hold jobs. No doubt, some do. Meanwhile, they could well have a negative productivity -- even with a multiplier effect. Criminal activity exists -- even though it is illegal and not readily built into our models. So do costs of courts, reform schools, jails, hospitals, police and other safety services, welfare services, and comprehensive insurance. They, too, are not often included in our models.

- In depressed rural areas, families are isolated from alternative or supplementary job, income, and training opportunities. Family members of working age are not listed as unemployed, though they work part-time for less income than the conventional poverty line. Commonly, they do not qualify for social security or other welfare payments. What of

their children? Without other special measures, the most conscientious and alert application of present national monetary and fiscal policies is unlikely to change the low productivity of these children. And an unemployment rate of even 2 percent, based on present methods of calculation, could leave this group without adequate jobs.

I suggest, then, that we do better than rely so heavily on assumed present labor productivity as a basis for allocating personal income. If we really want increased labor productivity (and you may agree we need it), the bases for income, salary, and wage payments need drastic revision to encourage such increases. This revision would recognize, among other things, that (1) overall national welfare may increase if we pay some people not to be employed -- and to stay away from those who like to work -- and work productively; (2) that leisure is not the antonym of work, that to work productively is to like one's work, or if you like, work is part leisure; that to be unemployed or not working is not necessarily to be enjoying leisure or recreation. As a Nation, we are properly concerned with long-term increases in labor productivity -- but labor productivity to further "life, liberty and the pursuit of happiness." A larger gross national product and a lower unemployment statistic are not ends in themselves. In the face of these considerations, the insistent requests for new programs seem natural enough. Examples of relevant program suggestions are:

- (1) Direct, unconditional, subsistence payments to all families and unrelated individuals whose taxable income is less than a socially acceptable minimum.
- (2) Lump sum or categorical payments (food, clothing stamps, etc.) per child to destitute families, provided the families use community services and facilities to upgrade the living conditions and productivity potential of these children.
- (3) Sabbatical-type training programs to anticipate and prevent the development of negative productivity by present members of the labor force.
- (4) A program to promote a balanced location of skilled and unskilled citizens, involving adequate deployment of centers of industry and training, so that we may enhance the national potential for increased labor productivity.

Let's change hats. Businessmen and managers, including the managers of public programs, need options just as much as employees. We have suggested that an employee needs a real choice of whether to work at all, whether to enter a training program, or which of two or more jobs to accept. Managers, of course, need their own training programs -- on-the-job and off-the-job. As employers, they need to have a real choice among two or more candidates to fill any job. Any significant business (or

government agency) draws on a range of talents and skills. Such a business grows. With this growth, its need for such labor and management expertise changes. To attract the needed management talent in the first place, the business must see its labor force -- not just a "first team" -- but several possible teams -- with depth. Such a team needs its quota of degrees, diplomas and other union cards. But it needs experience just as much -- even "connections". Management consultants properly and persistently emphasize these dominant needs.

Resulting Agglomeration

Predictably, then, we find it in the joint interests of both businessmen (and public officials) and employees (especially skilled people) to congregate in suburbs near major cities. Here, both sides have the widest options and take the least risk. Employees can change jobs, widen experience and obtain training without changing residence. Employers and business and agency managers can cut development costs by creaming the efforts of other businesses, and shifting costs to the "public sector" and consumers, including their own employees. They can cut liquidation costs, as their physical plant, real estate and equipment may be sold -- at a profit.

Public and private organizations are captives of their own efficient drive to locate this or that project or facility or branch "to serve the public better." Individual firms, public or private, find that it pays to locate a facility near other facilities that have already evoked suitable local responses -- good transportation and information linkages, adequate water and power, "at competitive prices" and most crucially, a large well-trained labor force that represents a wide range of skills and responds readily to such incentives as marginal salary changes, yet is captured at will by fringe benefits, such as retirement and health insurance. Such centers have attained a careful separation of local government responsibilities of the city itself and the surrounding suburban sprawl, so that the main burden of the snowballing suburban economic success is borne by the central city and by the private (consumer) sector in the suburbs.

The suburbs bear some of their own expenses for water, power, roads, schools, churches, and whatever else they might attain. The efficient suburban public administrator soon realizes that individual homes are a drag on his budget. He may join with others to produce a familiar result -- a sequence of garden apartments, and townhouses, then high-rise apartments, then bigger and better shopping centers "to serve the public better". The possibly adverse results -- traffic congestion, power failures, juvenile delinquency, lack of open space and attendant "inconveniences" -- are borne in large part by the consumer on his own time and with his own funds.

Unless this consumer works in a city with unique recreation and cultural attributes, his time at work is increasingly a separate world -- a world irrelevant both to his family and his "community." Moreover, unless he has a unique alternative, such as employment on a probably mythical "quiet campus," his life and work "this side of the grave" hinge on more money, more meetings, more congestion and pollution, more and sharper separation of job and family and community, or more direct involvement of the family in his job. Whether he is in this town or that town, or this company or that company, matters little or nothing, except that one offers more salary than the other.

In this process, then, the rest of the Nation becomes increasingly irrelevant to the man, his family, his firm or organization except as a means to more money and the inevitable perquisites.

Not surprisingly, problems of unemployment in the central city and underemployment in rural areas intensify. Here, the unskilled have least physical access to a choice of jobs and face most potential competition from skilled employees and machines. The more successful the suburban firms are in adding to the "gross national product", the more will suburbia extend and the greater will be the isolation of the unskilled of the central city and of depressed rural areas.

The unskilled in the open country face seemingly inevitable disadvantages in the labor market. Even with the help of Federal funds, firms that locate there may be attracted by the low wages that go with the low skills or by special, necessary, natural resources -- minerals, water, forests. Many firms in the latter category are notorious pollutants of air and water and despoilers of scenery. Moreover, even they tend to be highly automated and have minimal demands for unskilled labor.

Without special new programs, the possibilities of "rounding out" the labor market in rural areas so that both employers and employees have needed, wider options are few. Many small communities have competed to entice present firms to their midst. They have taxed themselves poor with special bond issues to match Federal funds and to provide "cut-rate" industrial parks, and prejudiced their future revenues through tax credits to potential new firms.

The necessarily fragmented decisions of many firms (public and private), particularly their hiring and training policies and practices, appear to add up to a further suburban sprawl and intensification of employment and income problems of ghettos and depressed open country.

Needed -- Subnational Development Strategies

If the above situation exists, it suggests that subnational programs of economic development have been a combination of "beggerthy-neighbor" trade-offs and economic "oneupmanship", especially in relation to Federal programs. The interrelationship of national policies and programs (fiscal, monetary, and manpower, in particular) to subnational policies and programs then needs urgent attention from economists and other responsible citizens. It is increasingly probable that socioeconomic problems of any one community or class of communities, large or small, cannot be resolved by special measures directed only at that community or class of communities -- nor by special counter-measures to "match" the apparent special Federal program advantages gained by some other group.

For some time, we have recognized that depressed areas (large or small) cannot rejuvenate themselves through "Operation Bootstrap" -- that much outside help would be needed. Yet the programs devised to provide this "outside help" seem to be of these two discrete types: (1) those that enlarge the geographic target area to include remedial "resources" as well as problems -- districts and regions, for example; and (2) those that provide partial and specific funding and other assistance either direct to a community or target group or through joint action of a Federal agency and a particular State.

Despite their suspected shortcomings, these programs seem to be based, tacitly or otherwise, on acceptable overall assumptions as follows. (1) As a result of appropriate measures, the Nation will consist of several hundred adjoining subregions, each with a "central city" of some disputed size, and a series of satellite cities of varying, lesser sizes. (2) Each such subregion will be able to conduct its own needed programs for economic and social regeneration and perpetuation. (3) It will produce, on a "competitive" basis, its needed share of goods and services so that all can have a comparable good life. (4) Farm families will share the same economic opportunities.

The central or focal town of such a subregion is not everyone's idea of the best place to live, although many do choose to live there. Yet it is a necessary part of the subregion and provides the main point of linkage to the rest of the Nation. The various towns, cities and open-country of any subregion are a necessarily symbiotic grouping. The attractiveness of life in any one community depends on its activities. But it also depends on activities elsewhere in the Nation. As Robert Frost has put it, men work together -- "whether they work together or apart."

I believe that there is essential agreement that the Nation is expected to be comprised of such symbiotic subregions. Furthermore, I believe there is necessarily liberal consensus on the specifications of such a subregion -- for example, that a group of small towns may, within

limits, serve the same functions as one large town, and that, in areas of necessarily persistent sparsity of population, novel services may be needed to substitute for the somewhat more stereotyped services provided by a city. The boundaries of such regions and subregions will likely always be arbitrary and subject to negotiation.

Yet I do not detect the same agreement on how such "models" of subregions may become realities. As a basis for appraising our present viewpoints, I would like to suggest some likely necessary features of a program to attain such an objective.

Any such adequately developed subregion must have its own adequate labor force.

The key to the adequacy of this labor force is not how many poor may be taught to read or how many delinquents may be placed in jobs, important though these activities are. I suggest that the prior (and enabling) need is to attract a significant corps of residents with above-average skills, education, training, experience, and income. Neither the ghettos nor the depressed rural areas will be adequately rehabilitated without this critical group of skilled people -- a group large enough so that most will find job alternatives within the formerly depressed subregion and so that a potential employer could find more than one applicant for most of his job slots. If there is to be selective help in job training, migration, and other measures to attain regional development, then it probably should be for people with above-average training and ability -- perhaps some of those now in the suburbs on the brink of a degenerative turn toward negative productivity.

To provide the community environment to attract and to hold this skilled labor force probably requires the establishment of complete new communities -- sometimes even new towns -- in depressed regions. The labor force the region needs probably lives in various new suburban communities now, replete with their own schools and associated facilities. They are not likely to settle for less elsewhere -- why should they?

This establishment of new communities does not mean that all present communities in depressed regions are doomed. On the contrary, it simply means that, whatever is done to upgrade existing communities, neighboring new communities are likely to be needed to provide a sufficient labor base for upgrading the region. And other special measures would be expected to upgrade living levels for some poor residents of old and new communities, for example, the subsistence payments and training programs cited earlier.

The sites of these new communities may be rather special. They will need adequate access to power and water supplies and to national communication systems. They will also be accessible from major communities in a depressed region. But they are not likely to be located because they are the center of a large labor force that will work for nominal wages, or

because they have a disproportionate number of low-income residents. Moreover, they are unlikely to be located because of one particular natural resource, such as a scarce mineral. In fact, close association of noxious industries and industries that use disproportionate numbers of unskilled workers, or specially captive workers such as retirees, part-time farmers, or female household heads, is likely to eliminate the effectiveness of such a town in attracting skilled labor. In effect, for success, the town must offer a living and working environment superior to that of present suburbia.

No project-by-project approach to location decisions for public and private installations is likely to result in such an establishment of needed new communities. A public agency or a private firm looking at alternative locations for a particular project will likely settle on a center that already offers "economies of agglomeration" or external "economies of size." So an apparent need is to seek alternative groups or packages of projects, including schools, hospitals and other facilities needed for the new residents, to be located at particular sites in a region and then rank the sites according to the effects that such a package would have on the rest of the region.

The attraction of needed people with above-average skills to these communities would stimulate accelerated training and advancement of people in present suburbia, a limited number in central cities, and rural out-migrants. This training would take place where (1) the most up-to-date training facilities and staff are already available and (2) the supply of promising recruits is greatest. Thus, the most rapid upgrading of the national labor force should occur.

Some Conclusions

Given an adequate national deployment of centers of skilled labor, the way should be open to remove barriers that perpetuate and intensify regional poverty, including poverty of particular rural areas. In other words, poverty, low-incomes and unemployment could be made less specific to particular locations. The suggested programs to increase labor productivity provide an example of enabling transition to subnational development policies and programs.

In the first instance, subsistence payments to poor families concentrated in depressed regions would make these families productive as consumers. Their initial expenditures would stimulate the private sector to provide some of the goods and services needed by an upgraded labor force. Further payments tied to training and other activities would further upgrade the labor force. Moreover, if such payments were available irrespective of location, all citizens would have a further incentive to relocate in response to new training and job opportunities.

These measures, together with widening opportunities for skilled people at new locations would tend to equalize "cost-of-living", credit, and banking services and facilities, education and health facilities and a number of other community attributes that presently show wide geographic disparities.

It is fairly easy to conclude that some of the program examples sketched above may be thought of as replacements for all or parts of some present programs. I do not deny this possibility. Nor do I think it appropriate here for me to list such possible substitutions. The possibilities for such substitutions and increased labor productivity suggest that an effective program for community development need not be unduly inflationary.

In this context, we could think that community development involves the attainment of increased real per capita incomes by residents of a community, without any residents being worse off. We could further think of the development process as a widening of opportunities for people to choose where and how to live and work. Thus, community development is much more than just more jobs and more industry.

Even further, I suggest that rural community development cannot be meaningfully considered outside the framework of national and related subnational policies and programs. In setting up such a framework, minute empirical studies and projections and sophisticated numerical techniques are likely to be quite a helpful support -- but not the framework itself. And we cannot and should not hide behind "objectivity" by saying, "Let the politician tell us the goals, and we'll provide the analysis."

The question of what we consider to be "rural" appears to warrant careful reexamination. What are the effects on community development of different definitions of rural? For example, should rural be defined to include open country and towns of up to 2,500 people, up to 5,500, up to 10,000, or even up to 50,000? If jurisdictions of various programs were modified accordingly, what would be the effects on community development?

Other development instruments warrant more searching analysis within a common national and related subnational framework. For example, do locally differentiated tax incentives and other monetary, fiscal, credit, and manpower policies limit or encourage the possible development of needed centers of employment and training in depressed subregions?

Given adequate agreement on the need for an overall framework for program development, relevant contributions will likely come from many sources, including many economists. So far as economists are involved, we can expect their contributions to be quite eclectic, drawing on techniques that range from crude first approximations to refined programming and simulation. Historical analyses and projections of various economic

indicators will continue to have a place. But there is an apparent need for much more emphasis on normative studies to synthesize regional and community economic structures that represent substantial improvements on those hitherto known. The empirical reference points for such work will likely be quite limited.

The politician and leading citizens generally need staff work by economists so that they may evolve alternative sets of policy and program goals and instruments. I have tried to sketch an example of the kind of synthesis that, I believe, needs to be both developed and analyzed. Hopefully, such activities will enable national and community leaders to answer such questions as: (1) What are the preferred goals for national and related community development? (2) What strategies enable attainment of these goals? (3) What are the implied needs for public and private planning and action?

Thank you.

